

**MINUTES OF THE
UTAH CONSTITUTIONAL REVISION COMMISSION**
Thursday, September 1, 2005 – 1:00 p.m. – Room W125 House Building

Members Present:

Mr. Kevin J. Worthen, Chair
Judge Jon M. Memmott, Vice Chair
Rep. Sheryl L. Allen
Rep. Ralph Becker
Sen. Mike Dmitrich
Chief Justice Christine Durham
Mr. Byron L. Harward
Sen. Peter C. Knudson
Mr. Morris D. Linton
Mr. Michael Petersen
Mr. Robin Riggs
President John L. Valentine

Members Absent:

Rep. LaVar Christensen
Mr. Michael E. Christensen
Ms. Kristine Strachan

Staff Present:

Mr. Jerry D. Howe, Policy Analyst
Mr. Robert H. Rees, Associate General Counsel
Ms. Cassandra N. Bauman, Legislative Secretary

Note: A list of others present, copy of related materials, and an audio recording of the meeting can be found at www.le.utah.gov.

1. Commission Business

Chair Worthen called the meeting to order at 1:11 p.m. Rep. Christensen and Ms. Strachan were excused from the meeting.

MOTION: Mr. Linton moved to appoint Mr. Roger Tew as a member of the Commission. The motion passed unanimously with Rep. Becker, Mr. Petersen, Mr. Riggs, and President Valentine absent for the vote.

MOTION: Mr. Linton moved to approve the minutes of the June 2 and August 4, 2005 meetings. The motion passed unanimously with Rep. Becker, Mr. Petersen, and President Valentine absent for the vote.

2. Earmarking of Income Tax

Staff distributed "Resolution Eliminating Earmarking of Income Tax."

Chair Worthen explained that this issue was referred to the Commission by the Tax Reform Task Force. He briefed the Commission and visitors on the August 4, 2005 discussion of the issue.

Mr. Keith Prescott, former advisor to Governor Olene S. Walker, distributed and presented information on Utah's future. He stated that, as a general tax principle, he is against earmarking. He stated, however, that he is conflicted between the earmarking of income tax for education. He indicated that the number of students entering schools is increasing in such numbers that the current tax structure will not sustain the growth. He stated that the Walker proposal was to drop the income tax rate and stimulate the economy such that the money would be generated elsewhere to fund education. He expressed support for the preservation of the earmarking provision because eliminating it could send the message that education is

not an important priority. He felt that the state's children are one of the most important "natural resources" it has.

Mr. Tew indicated that earmarking and the adequacy of funding for education, in terms of the willingness to spend money on education, are not synonymous and that eliminating the earmarking or maintaining the earmarking is not an indication of how well education will be funded in the future.

Rep. Becker expressed concern for income tax revenues being shifted from education to other programs, specifically highways. He questioned the overall plan to maintain funding for education after eliminating the earmarking on income tax.

Mr. Prescott indicated that the fundamental concept of the Walker proposal was to broaden the tax base and lower the tax rate.

The Commission discussed the history of placing the earmarking of income tax in the state constitution.

Mr. Riggs indicated that earmarking is a moot question. He indicated that education demands such a high amount of resources that funding from sources other than the income tax is inevitable.

Ms. Ronda Rose, Vice President, Utah Parent/Teacher Association (PTA), explained that earmarking is a way of tracking the revenue and funding for education. She indicated that the PTA is very concerned about eliminating the earmark of income tax for education.

Ms. Natalie Gordon, Trust Lands Commissioner, PTA, expressed concern that, with the elimination of earmarking, funding of public education will be reduced such that private education will become even more attractive to parents.

MOTION: Mr. Harward moved to proceed to the next item on the agenda, indicating that no proponent of the specific legislation has come forward to testify and there has not been evidence to support the elimination of earmarking at the present time.

SUBSTITUTE MOTION: Mr. Petersen moved to recommend not eliminating the earmarking of income tax for education.

SECOND SUBSTITUTE MOTION: President Valentine moved to proceed to the next item on the agenda to allow additional time for a proponent to come forward. After commission discussion, he withdrew his motion.

The substitute motion passed with Mr. Harward voting in opposition.

3. Property Tax on Personal Property

Staff distributed "Resolution Regarding Property Tax on Personal Property."

Mr. Riggs questioned whether sales tax on automobiles would now be distributed to taxing districts under the language of the proposal. He stated that the legislation is fundamentally shifting the taxation on automobiles.

Mr. Rees stated that Mr. Riggs had identified an unintended consequence of the language as drafted that would need to be addressed if the proposal goes forward.

Sen. Knudson stated that the two proposals sent to the Commission by the Tax Reform Task Force are only small pieces of the entire tax policy the Task Force is working on. He commented that a recommendation on the proposals without having seen the entire tax reform proposal could provide different results.

Judge Memmott explained that many programs and services are affected by the revenue from property tax, including schools. He indicated that a change in the property tax structure would be difficult to recommend without knowing what other tax changes would be proposed to accommodate the changes in the property tax.

MOTION: Mr. Harward moved to recommend that the Tax Reform Task Force not recommend amending the property tax provision. The motion passed unanimously.

4. Earmarking of Income Tax - cont.

Mr. Michael Kjar, Office of the Legislative Fiscal Analyst, distributed and reviewed "Income Tax as a Percent of Total State Unrestricted Revenues" and "Public Education: State Budget Comparisons."

5 Gubernatorial Succession

Mr. Rees explained the draft legislation as distributed prior to the meeting.

The Commission discussed the level of succession that should be included in the constitution in case of a permanent disability or vacancy in the office of governor.

MOTION: Judge Memmott moved to specify the successors in the constitution and detail the process in statute. The motion passed unanimously.

6 Other Items / Adjourn

The next meeting is scheduled for Thursday, November 3, 2005 at 1:00 p.m. in room W125.

MOTION: Mr. Harward moved to adjourn the meeting. The motion passed unanimously.

Chair Worthen adjourned the meeting at 3:11 p.m.